

SALARY LIMITATION ON CONTRACTS, GRANTS AND COOPERATIVE AGREEMENTS

National Institutes of Health

Fiscal Year (FY) 2001 is the twelfth consecutive year for which there is a legislatively mandated provision for the limitation of salary. Specifically, the Department of Health and Human Services (HHS) Appropriation Act for FY 2001, Public Law 106-554, restricts the amount of direct salary of an individual under an NIH contract, grant or cooperative agreement (hereafter referred to as a grant) to Executive Level I of the Federal Executive Pay scale. Beginning January 1, 2001, the Executive Level compensation was increased, resulting in a difference in the salary rate limitation for the period October 1 – December 31, 2000 and the period of January 1 – September 30, 2001. The direct salaries paid with FY 2001 funds for the period October 1 – December 31, 2000 are limited to the Executive Level 1 Rate of \$157,000, while direct salaries paid with FY 2001 funds for the period January 1 – September 30, 2001 will be limited to rate of \$161,200.

Direct salary is exclusive of fringe benefits and facilities and administrative (F&A) expenses, also referred to as indirect cost. "Direct salary" has the same meaning as the term "institutional base salary." An individual's institutional base salary is the annual compensation that the applicant organization pays for an individual's appointment, whether that individual's time is spent on research, teaching, patient care, or other activities. Base salary excludes any income that an individual may be permitted to earn outside of duties to the applicant organization. NIH contract/grant awards for applications/proposals that request direct salaries of individuals in excess of the applicable RATE per year will be adjusted in accordance with the legislative salary limitation.

In summary, the following reflects the time frames associated with the existing salary caps:

FY 1999 Awards (Executive Level III)

- October 1, 1998 through December 31, 1999 \$125,900
- January 1, 2000 and beyond \$130,200

FY 2000 Awards (Executive Level II)

- October 1, 1999 through December 31, 1999 \$136,700
- January 1, 2000 and beyond \$141,300

FY 2001 Awards (Executive Level I)

- October 1, 2000 through December 31, 2000 \$157,000
- January 1, 2001 and beyond \$161,200

The following are examples of the adjustments that NIH will make when salaries exceed the current salary limitation:

EXAMPLE 1. INDIVIDUAL WITH FULL-TIME APPOINTMENT (based on contract award/grant issued after January 1, 2001 with a \$161,200 salary limitation)

Individual's institutional base salary for a
FULL-TIME (twelve month) appointment
\$175,000

Research effort requested in proposal/application - 50%

Direct Salary requested	\$ 87,500
Fringe benefits requested (25% of salary)	\$ 21,875
Subtotal	\$109,375

Applicant organization's F&A (indirect) costs at a rate of 45% of subtotal	\$ 49,219
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Amount requested - salary plus fringe benefits plus associated F&A (indirect) costs	\$158,594
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If a contract/grant is to be funded, the amount included for the above individual will be calculated as follows:

Direct salary - restricted to a RATE of \$161,200 multiplied by effort (50%) to be devoted to project	\$ 80,600
Fringe benefits (25% of allowable salary)	\$ 20,150
Subtotal	\$100,750
Associated F&A (indirect) costs at 45% of subtotal	\$ 45,338

Total amount to be awarded due to salary limitation	\$146,088
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Amount of reduction due to salary limitation (\$158,594 requested minus \$146,088 awarded)	\$ 12,506
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EXAMPLE 2. INDIVIDUAL WITH HALF-TIME APPOINTMENT (based on a contract award/grant issued after January 1, 2001 with a \$161,200 salary limitation)

Individual's institutional base salary for a HALF-TIME appointment (50% of a full-time twelve month appointment)	\$ 87,500
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Research effort requested in proposal/application 30%

Direct Salary requested	\$ 26,250
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Fringe benefits requested (25% of salary)	\$ 6,563
Subtotal	\$ 32,813

Applicant organization's F&A (indirect) costs at a rate of 45% of subtotal	\$ 14,766
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Amount requested - salary plus fringe benefits plus associated F&A (indirect) costs	\$ 47,579
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If a contract/grant is to be funded, the amount included in the award for the above individual will be calculated as follows:

Direct salary - restricted to a RATE of \$161,200 multiplied by 50% appointment by 30% effort to be devoted to project	\$ 24,180
Fringe benefits (25% of allowable salary)	\$ 6,045
Subtotal	\$ 30,225

Associated F&A (indirect) cost at 45% of subtotal	\$ 13,601
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Total amount to be awarded due to salary limitation	\$ 43,826
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Amount of reduction due to salary limitation (\$47,579 requested minus \$43,826 awarded)	\$ 3,753
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EXAMPLE 3. INDIVIDUAL WITH NINE MONTH APPOINTMENT (based on a contract award/grant issued after January 1, 2001 with a \$161,200 salary limitation)

Individual's institutional base salary WITH NINE MONTH appointment	\$131,250
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Research effort requested in proposal/application 50%

Direct Salary requested	\$ 65,625
Fringe benefits requested (25% of salary)	\$ 16,406
Subtotal	\$ 82,031

Applicant organization's F&A (indirect) costs at a rate of 45% of subtotal	\$ 36,914
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Amount requested - salary plus fringe benefits plus associated F&A (indirect) costs	\$118,945
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If a contract/grant is to be funded, the amount included in the award for the above individual will be calculated as follows:

Direct salary - restricted to a RATE of \$161,200 (annual rate) divided by 12 months multiplied by 9 months by 50% effort to be devoted to project	\$ 60,450
Fringe benefits (25% of allowable salary)	\$ 15,112
Subtotal	\$ 75,562
Associated F&A (indirect) cost at 45% of subtotal	\$ 34,003
Total amount to be awarded due to salary limitation	\$109,565
Amount of reduction due to salary limitation (\$118,945 requested minus \$109,565 awarded)	\$ 9,380

NOTE: If a faculty member with a 9 month appointment works during his/her off months, the monthly salary rate limitation is \$13,433 (\$161,200 divided by 12 months) multiplied by the proposed percent of effort during those months.

Any inquiries should be directed to the Division of Acquisition Policy and Evaluation (DAPE) of the Office of Acquisition Management and Policy at dapel@nih.gov or on (301) 496-6014.